

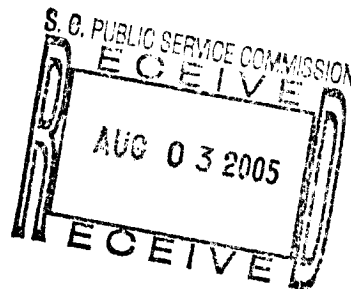
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Moore & Van Allen

August 2, 2005

VIA UPS OVERNIGHT

Mr. Charles Terreni
Chief Clerk Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210



James H. Jeffries IV
Attorney at Law

T 704 331 1079
F 704 339 5879
jimjeffries@mvalaw.com

Moore & Van Allen PLLC

Suite 4700
100 North Tryon Street
Charlotte, NC 28202-4003

Re: Docket No. 2005-4-G Piedmont Natural Gas Company – Annual Review of the Purchased Gas Adjustment (PGA) and Gas Purchasing Policies

Dear Mr. Terreni:

Enclosed please find an original and 26 copies of a proposed *Order Approving and Adopting Settlement Agreement* in the docket shown above. This proposed order has been reviewed by the Office of Regulatory Staff and the South Carolina Energy Users Committee. Neither party has an objection or change to this proposed order. Please accept the original and 25 copies for filing and return the additional "file-stamped" copy in the enclosed self-addressed stamped envelope.

✓ Thank you for your assistance with this matter. If you have any questions about this filing you may reach me at the number shown above.

Sincerely,

James H. Jeffries IV

Enclosures

c: ORS (5 copies)
Mr. Scott Elliott
Mr. David Carpenter

Research Triangle, NC
Charleston, SC

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Piedmont Natural Gas)
Company's Annual Review of)
Purchased Gas Adjustment and)
Gas Purchasing Policies)

At the hearing, upon motion of Mr. Mustian of ORS, the Commission accepted into the record the pre-filed direct testimony and exhibits of PNG witnesses Keith P. Maust and Ann H. Boggs, the pre-filed rebuttal testimony of PNG witness Ann H. Boggs, and the pre-filed direct testimony and exhibits of ORS witnesses Roy H. Barnette and Carey Flynt all of which were

collectively designated as Hearing Exhibit No. 1. The Commission also accepted into the record the Settlement Agreement, which was designated as Hearing Exhibit No. 1.

All counsel present at the hearing acknowledged their respective clients' consent to the terms of the Settlement Agreement. Further, the Parties represented that they "have each determined that their interest and the public interest would be best served by settling the above captioned case"[See Hearing Exhibit No. 2 at p.2]. Moreover, ORS presented witness Carey Flynt who explained the terms of the Settlement Agreement and testified that the Settlement Agreement was in the public interest. A copy of the Settlement Agreement is attached hereto as Order Exhibit No. 1 and is hereby incorporated into and made part of this Order.

In addition to testifying that the Settlement Agreement was in the public interest, Ms. Flynt also summarized her pre-filed direct testimony and the findings of ORS. More specifically, she testified that ORS conducted an extensive audit of PNG's gas costs for the period April 1, 2004 through March 31, 2005 ("Review Period"). ORS concluded that, with the adoption of the accounting adjustments proposed by Office of Regulatory Staff Witness Roy H. Barnette, (i) PNG's gas purchasing policies and practices were reasonable and prudent, (ii) that the Company had properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review period, and (iii) PNG managed its hedging program during the review period in a reasonable and prudent manner consistent with Commission orders.

Ms. Flynt testified further that the Parties agreed to adopt the following accounting adjustments set forth in the testimony of Roy H. Barnette for PNG's deferred cost gas account #253.04 so as to adjust the account balance shown in PNG gas witness Ann H. Boggs's

testimony from an under-collection of (\$8,429,722) to the adjusted balance shown in ORS witness Roy H. Barnette's testimony of an under-collection of (\$8,331,349):

- a) an addition to PNG's under-collection of (\$4,814) to correct the therm sales used in the February 2004 calculation;
- b) a decrease to PNG's under-collection based on two interest adjustments derived from the Commission's Order No. 2005-43 issued in Docket No. 2004-4-G consisting of \$70,853 and \$7,540;
- c) a decrease to PNG's under-collection to record a proration adjustment of \$4,150 to reflect the proper sales Allocation Factor for the month of November 2003; and
- d) a decrease to PNG's under-collection to record an interest adjustment of \$20,644 based on the above-listed changes to Account #253.04.

No other witnesses testified at the hearing. Further, the Commission is satisfied with the answers given by Ms. Flynt in response to questions presented to her at the hearing by the Commissioners and therefore, concludes that it is not necessary for any other witnesses to provide additional testimony in this proceeding.

After careful review and consideration of the Joint Motion and Settlement Agreement, the evidence of record, and the representations of counsel, the Commission concludes as a matter of law that approval of the Settlement Agreement is in the public interest and that, with the adoption of the accounting adjustments proposed by Office of Regulatory Staff witness Roy H. Barnette, (i) PNG's gas purchasing policies and practices during the review period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the review period, and (iii) PNG managed its

hedging program during the review period in a reasonable and prudent manner consistent with Commission Orders.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Settlement Agreement attached hereto as Order Exhibit No. 1 is accepted into the record without objection and is incorporated into and made part of this Order by reference. Further the Settlement Agreement is found to be in the public interest and constitutes a reasonable resolution of this proceeding.

2. The pre-filed direct testimony and exhibits of PNG witnesses Keith P. Maust and Ann H. Boggs and the pre-filed rebuttal testimony of PNG witness Ann H. Boggs are accepted into the record without objection.

3. The pre-filed direct testimony and exhibits of ORS witnesses Roy H. Barnette and Carey Flynt are accepted into the record without objection. Further, the oral testimony of Ms. Flynt presented at the hearing on July 20, 2005, is also incorporated into the record without objection.

4. PNG's gas purchasing policies and practices during the Review period were reasonable and prudent.

5. PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the review period.

6. PNG managed its hedging program during the review period in a reasonable and prudent manner consistent with Commission Orders.

7. The accounting adjustments proposed by ORS witness Roy H. Barnette are adopted as follows:

PNG's deferred cost gas account #253.04 is adjusted from an under-collection of (\$8,429,722) to the adjusted balance of an under-collection of (\$8,331,349):

- a) an addition to PNG's under-collection of (\$4,814) to correct the therm sales used in the February 2004 calculation;
- b) a decrease to PNG's under-collection based on two interest adjustments derived from the Commission's Order No. 2005-43 issued in Docket No. 2004-4-G consisting of \$70,853 and \$7,540;
- c) a decrease to PNG's under-collection to record a proration adjustment of \$4,150 to reflect the proper sales Allocation Factor for the month of November 2003; and
- d) a decrease to PNG's under-collection to record an interest adjustment of \$20,644 based on the above-listed changes to Account #253.04.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Randy Mitchell, Chairman

ATTEST:

G.O'Neal Hamilton, Vice-Chairman

(SEAL)